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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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NOV 18 1971

Dear Mrs. Heckler:

This is in response to your request of September 16, 1971, that we consider a value-engineering proposal submitted by Mr. Louis S. Alongi, Attleboro, Massachusetts.

Value engineering is an extremely worthwhile program designed to achieve savings in the cost of acquiring, operating, and logistically supporting items or systems in the defense arsenal. Also, although the Department of Defense has made significant savings since the inception of its value-engineering program, there is no doubt that there is room for further improvement. In this regard we issued a report on August 25, 1969, on the opportunities for increased savings by improving management of the value engineering performed by contractors. One of the points we made was a need for development of new techniques to stimulate the interest of, and participation by, contractors in value engineering.

Mr. Alongi suggested that annual savings of \$500 million (2.5 percent of the applicable defense production of \$20 billion a year) could be achieved through wider distribution of a periodic Department of Defense publication that presents examples of successful value-engineering proposals. Mr. Alongi recommended that copies of the publication "Manufacturing-Cost Control Digest" be furnished to all employees of contractors performing defense contracts.

Although Mr. Alongi's objective is commendable, there appears to be no way to estimate accurately what additional savings may accrue from wider distribution of the "Manufacturing-Cost Control Digest." At present copies are being distributed to about 9,500 defense contractors, and other steps are being taken by the Department of Defense for the purpose of educating contractors in the latest techniques available for reducing costs through value engineering.

It is, of course, the responsibility of the Department of Defense to determine the extent of distribution of the "Manufacturing-Cost Control Digest" in administering the value-engineering program. In this case the Department has concluded that wider distribution is not warranted at this time. During our review we did not find a basis to question the Department of Defense's decision.

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In accordance with your request, we are returning the correspondence submitted.

Sincerely yours,



Deputy Comptroller General
of the United States

Enclosures - 2

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67 The Honorable Margaret M. Heckler
House of Representatives